

ORDINANCE NO. ____

AN ORDINANCE OF THE CITY OF LEESBURG,
AMENDING CHAPTER 17, PENSIONS AND RETIREMENT,
ARTICLE IV, POLICE OFFICERS' RETIREMENT FUND, OF
THE CODE OF ORDINANCES OF THE CITY OF
LEESBURG; AMENDING SECTION 1, DEFINITIONS;
AMENDING SECTION 6, BENEFIT AMOUNTS AND
ELIGIBILITY; PROVIDING FOR CODIFICATION;
PROVIDING FOR SEVERABILITY OF PROVISIONS;
REPEALING ALL ORDINANCES IN CONFLICT HERewith
AND PROVIDING AN EFFECTIVE DATE.

BE IT ORDAINED BY THE CITY COMMISSION OF THE CITY OF LEESBURG,
FLORIDA;

SECTION 1: That Chapter 17, Pensions and Retirement, Article IV, Police Officers' Retirement Fund, of the Code of Ordinances of the City of Leesburg, is hereby amended by amending Section 1, Definitions, to amend the definitions of "Actuarial Equivalent" and "Average Final Compensation", to read as follows:

* * * * *

Actuarial Equivalent means a benefit or amount of equal value, based upon the RP 2000 Combined Healthy Mortality Table- Unisex, with disabled lives set forward five (5) years, and at an interest rate of seven and three-quarters percent (7.75%) per annum. This definition may only be amended by the City pursuant to the recommendation of the Board using assumptions adopted by the Board with the advice of the plan's actuary, such that actuarial assumptions are not subject to City discretion.

* * * * *

Average Final Compensation means one-twelfth of the average Salary of the five (5) best years of the last ten (10) years of Credited Service prior to Retirement, termination, or death, or the career average as a full-time Police Officer, whichever is greater. A year shall be twelve (12) consecutive months. The change to the five (5) best years from the four (4) best years stated above shall not apply to any Member who is eligible for normal retirement as of the effective date of the ordinance adopting this provision.

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SECTION 2: That Chapter 17, Pensions and Retirement, Article IV, Police Officers' Retirement Fund, of the Code of Ordinances of the City of Leesburg, is hereby amended by amending Section 6, Benefit Amounts and Eligibility, subsections 1., 2., and 3., to read as follows:

* * * * *

1. Normal Retirement Date.

For a Member who will be eligible for normal retirement on or before September 30, 2015, the Member's normal retirement date shall be the first day of the month coincident with, or next following, the earlier of the attainment of age fifty (50) and the completion of twenty-five (25) years of Credited Service, or the attainment of age fifty-five (55) and the completion of ten (10) years of Credited Service. For a Member who will be eligible for normal retirement on or after October 1, 2015, the Member's normal retirement date shall be the first day of the month coincident with, or next following, the earlier of the attainment of age fifty-two (52) and the completion of twenty-five (25) years of Credited Service, or the attainment of age fifty-five (55) and the completion of ten (10) years of Credited Service. A Member may retire on his normal retirement date or on the first day of any month thereafter, and each Member shall become one hundred percent (100%) vested in his accrued benefit on his normal retirement date. Normal retirement under the System is Retirement from employment with the City on or after the normal retirement date.

2. Normal Retirement Benefit.

A Member retiring hereunder on or after his normal retirement date shall receive a monthly benefit which shall commence on the first day of the month coincident with or next following his Retirement and be continued thereafter during the Member's lifetime, ceasing upon death, but with one hundred twenty (120) monthly payments guaranteed in any event. The monthly retirement benefit shall equal three percent (3%) of Average Final Compensation, for each year of Credited Service prior to May 27, 2003, and two percent (2%) of Average Final Compensation for each year of Credited Service between May 27, 2003 and September 30, 2009, and two and one-half percent (2.5%) of Average Final Compensation for each year of Credited Service thereafter.

3. Early Retirement Date.

For a Member who will be eligible for early retirement on or before September 30, 2015, the Member may retire on his early retirement date which shall be the first day of any month coincident with or next following the attainment of age forty-five (45) and the completion of ten (10) years of Credited Service. For a Member who will be eligible for early retirement on or after October 1, 2015, the Member may retire on his early retirement date which shall be the first day of any month coincident with or next following the attainment of age fifty (50) and the completion of ten (10) years of Credited Service. Early retirement under the System is retirement from employment with the City on or after the early retirement date and prior to the normal retirement date.

* * * * *

SECTION 3: Specific authority is hereby granted to codify and incorporate this Ordinance in the existing Code of Ordinances of the City of Leesburg.

SECTION 4: All Ordinances or parts of Ordinances in conflict herewith be and the same are hereby repealed.

SECTION 5: If any section, subsection, sentence, clause, phrase of this ordinance, or the particular application thereof shall be held invalid by any court, administrative agency, or other body with appropriate jurisdiction, the remaining section, subsection, sentences, clauses, or phrases under application shall not be affected thereby.

SECTION 6: That this Ordinance shall be effective upon adoption.

PASSED AND ADOPTED AT A REGULAR MEETING OF THE CITY COMMISSION
OF THE CITY OF LEESBURG, FLORIDA, HELD ON THE _____ DAY OF _____, 2014.

Mayor-Commissioner

ATTEST:

City Clerk

CITY OF LEESBURG
MUNICIPAL POLICE OFFICERS' PENSION TRUST FUND

ACTUARIAL IMPACT STATEMENT
November 26, 2013

Attached hereto is a comparison of the impact on the Total Required Contribution (per Chapter 112, Florida Statutes), and the Required City Contributions, resulting from implementation of the following changes:

- 1.) Increase the benefit accrual rate for service on and after October 1, 2009 from 2.0% to 2.5%. Therefore, the benefit accrual rate will be 3.00% times Credited Service earned prior to May 27, 2003 plus 2.00% times Credited Service earned between May 27, 2003 and September 30, 2009 plus 2.50% times Credited Service earned on and after October 1, 2009.
- 2.) Increase the number of years utilized in determining Average Final Compensation from 4 years to 5 years. The new definition will be the best 5 years of the last 10 years of Credited Service.
- 3.) Provide that the unreduced Normal Retirement Date be changed to be the earlier of 1.) Age 52 (previously 50) with 25 years of Credited Service or 2.) Age 55 with 10 years of Credited Service. Please note that the Normal Retirement Dates for Members who would have been eligible for Normal Retirement on or before October 1, 2015 under the old criteria will remain unchanged.
- 4.) Provide that the Early Retirement Date be changed to Age 50 (previously 45) with 10 years of Credited Service. Please note that the Early Retirement Dates for Members who would have been eligible for Early Retirement on or before October 1, 2015 under the old criteria will remain unchanged.

The cost impact, determined as of October 1, 2012, as applicable to the fiscal year ending September 30, 2014, is as follows:

	<u>Current</u>	<u>Proposed</u>
Total Required Contribution % of Total Annual Payroll	21.74%	23.37%
Member Contributions (Est.) % of Total Annual Payroll	7.65%	7.65%
City and State Required Contribution % of Total Annual Payroll	14.09%	15.72%
State Contribution (est.) * % of Total Annual Payroll	155,518 4.29%	155,518 4.29%
Balance from City % of Total Annual Payroll	9.80%	11.43%

CITY OF LEESBURG
MUNICIPAL POLICE OFFICERS' PENSION TRUST FUND

ACTUARIAL IMPACT STATEMENT

November 26, 2013

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* Represents amount received in fiscal 2012.

Please note that the Excess State Monies Reserve of \$67,055.97 was utilized to help fund the increase in the benefit accrual rate.

The changes presented herein are in compliance with Part VII, Chapter 112, Florida Statutes and Section 14, Article X of the State Constitution.



Patrick T. Donlan, EA, ASA, MAAA
Enrolled Actuary #11-6595

STATEMENT OF PLAN ADMINISTRATOR

The prepared information presented herein reflects the estimated cost of the proposed improvement.

Chairman, Board of Trustees

Comparative Summary of Principal Valuation Results

	New Benefits <u>10/1/2012</u>	Old Benefits <u>10/1/2012</u>
A. Participant Data		
Number Included		
Actives	70	70
Service Retirees	27	27
Beneficiaries	0	0
Terminated Vested	7	7
Disability Retirees	1	1
DROP Retirees	<u>0</u>	<u>0</u>
Total	105	105
Total Annual Payroll	\$3,621,679	\$3,621,679
Payroll Under Assumed Ret. Age	3,621,679	3,621,679
Annual Rate of Payments to:		
Service Retirees	688,271	688,271
Beneficiaries	0	0
Terminated Vested	0	0
Disability Retirees	22,283	22,283
DROP Retirees	0	0
B. Assets		
Actuarial Value	13,985,699	13,985,699
Market Value	14,260,248	14,260,248
C. Liabilities		
Present Value of Benefits		
Active Members		
Retirement Benefits	11,227,061	10,516,626
Disability Benefits	633,161	557,467
Death Benefits	147,800	125,504
Vested Benefits	1,325,959	1,335,933
Refund of Contributions	260,601	206,714
Service Retirees	6,875,759	6,875,759
Beneficiaries	0	0
Terminated Vested	11,823	11,823
Disability Retirees	151,351	151,351
DROP Retirees	0	0
Excess State Monies Reserve	<u>0</u>	<u>67,056</u>
Total	20,633,515	19,848,233

	New Benefits <u>10/1/2012</u>	Old Benefits <u>10/1/2012</u>
C. Liabilities - (Continued)		
Present Value of Future Salaries	30,422,329	29,375,759
Present Value of Future Member Contributions	2,327,308	2,247,246
Normal Cost (FIL Method)	682,842	639,619
Present Value of Future Normal Costs (Entry Age)	3,854,288	3,306,384
Actuarial Accrued Liability	14,897,601	14,660,223
Unfunded Actuarial Accrued Liability (UAAL)	911,902	674,524
D. Actuarial Present Value of Accrued Benefits		
Vested Accrued Benefits		
Inactives	7,038,933	7,038,933
Actives	3,310,233	3,518,058
Member Contributions	<u>2,321,982</u>	<u>2,321,982</u>
Total	12,671,148	12,878,973
Non-vested Accrued Benefits	<u>228,043</u>	<u>189,240</u>
Total Present Value Accrued Benefits	12,899,191	13,068,213
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:		
Plan Amendments	(169,022)	
Assumption Changes	0	
New Accrued Benefits	0	
Benefits Paid	0	
Interest	0	
Other	<u>0</u>	
Total:	(169,022)	

Valuation Date Applicable to Fiscal Year Ending	New Benefits 10/1/2012 <u>9/30/2014</u>	Old Benefits 10/1/2012 <u>9/30/2014</u>
E. Pension Cost		
Normal Cost (with interest) % of Total Annual Payroll*	19.58	18.35
Administrative Expenses (with interest) % of Total Annual Payroll*	0.82	0.82
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 30 years (as of 10/1/2012) % of Total Annual Payroll*	2.97	2.57
Total Required Contribution % of Total Annual Payroll*	23.37	21.74
Expected Member Contributions % of Total Annual Payroll*	7.65	7.65
Expected City & State Contribution % of Total Annual Payroll*	15.72	14.09

* Contributions developed as of 10/1/2012 are expressed as a percentage of total annual payroll at 10/1/2012 of \$3,621,679.

ACTUARIAL ASSUMPTIONS AND METHODS

<u>Mortality Rate</u>	RP-2000 Table with no projection – Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. (Disabled lives set forward 5 years.)
<u>Interest Rate</u>	7.75% per year, compounded annually, net of investment related expenses.
<u>Retirement Age</u>	100% at first eligibility for Normal Retirement. Also, any Member who has reached Normal Retirement eligibility is assumed to continue employment for one additional year.
<u>Early Retirement</u>	Commencing at eligibility for Early Retirement Members are assumed to retire with an immediate benefit at the rate of 2% per year.
<u>Disability Rate</u>	See table below (1207). It is assumed that 75% of disablements and active member deaths are service related.
<u>Termination Rate</u>	See table below (1302).
<u>Salary Increases</u>	5.2% per year until the assumed retirement age; see table below. Projected salary at retirement is increased individually to account for non-regular compensation.
<u>Cost-of-Living Adjustment</u>	None.
<u>Administrative Expenses</u>	\$28,447 added to Normal Cost (average of non-investment expenses for the past 2 years).
<u>Payroll Growth Assumption</u>	3.0% annually for amortizing UAAL.
<u>Funding Method</u>	Frozen Entry Age Actuarial Cost Method.
<u>Asset Valuation</u>	Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return. It is possible that over time this technique will produce an insignificant bias above or below Market Value.

<u>Age</u>	<u>% Terminating During the Year</u>	<u>% Becoming Disabled During the Year</u>	<u>Current Salary as % of Salary at age 50</u>
20	9.0%	.07%	16.5%
30	7.5	.11	30.0
40	3.9	.19	54.8
50	1.2	.51	100.0

SUMMARY OF PLAN PROVISIONS
(Through Ordinance No. 11-32)
(Senate Bill 1128 changes to definition of Salary are also included)

<u>Eligibility</u>	Full-time sworn police officers.
<u>Salary</u>	Reportable W-2 compensation, less Christmas bonuses, but including lump sum payment of accrued sick leave, accrued annual leave, or accrued compensatory leave, plus all tax deferred (IRC Section 414(h)(2) and IRC Section 457 contributions) and tax exempt (IRC Section 125) items of income. Effective January 22, 2013, Salary shall not include more than 300 hours of overtime per year. Additionally, Salary will include the lesser of the amount of unused sick and annual leave time accrued as of January 22, 2013, or the actual amount of sick and vacation leave time for which the retiree receives payment at the time of retirement.
<u>Average Final Compensation</u>	Average of Salary paid during the 4 best years of the last 10 years of Credited Service.
<u>Credited Service</u>	Years and fractional parts of years of service with the City as a Police Officer.
<u>Normal Retirement</u>	
Date	Earlier of 1.) Age 50 and the completion of 25 Years of Credited Service, or 2.) Age 55 and the completion of 10 years of Credited Service.
Benefit	3.00% of Average Final Compensation <u>times</u> Credited Service prior to May 27, 2003, and 2.00% thereafter.
Form of Benefit	Ten Year Certain and Life Annuity (options available).
<u>Early Retirement</u>	
Eligibility	Age 45 and completion of 10 years of Credited Service.
Benefit	Accrued benefit, reduced 3.0% per year.

Disability Benefit

Eligibility	Total and permanent; Medical proof required. 10 years of Credited Service required for non-service incurred disability benefit.
Exclusions	Disability resulting from the use of drugs, illegal participation in riots, service in military, etc.
Benefit	
Service Connected	Greater of accrued benefit or 50% of Average Final Compensation.
Non-Service Connected	Greater of accrued benefit or 25% of Average Final Compensation.

Pre-Retirement Death Benefit

Service Connected	Beneficiary receives a monthly benefit which can be provided by the greater of: 1.) present value of Member's accrued benefit, or 2.) lesser of 24 times the Member's Average Final Compensation, or 100 times the Member's anticipated normal retirement benefit.
Non-Service Connected	If less than 10 years of service, beneficiary receives a refund of Member contributions; otherwise, same as service connected benefits.

Death After Retirement

Benefit payable in accordance with optional form of pension selected at time of retirement.

Vesting (Termination of Employment)

Less than 10 years	Refund of Member Contributions.
10 years or more	Accrued pension payable on a reduced basis at Normal (unreduced) or Early (reduced) Retirement Date.

Member Contributions

7.65% of Salary.

City Contributions

Amount required after State premium tax refunds in order to pay current costs and amortize unfunded past service cost, as provided in Part VII, Chapter 112, Florida

Statutes.

Board of Trustees

- a.) Two City residents appointed by the City Commission,
- b.) Two Police Officers elected by a majority of Police Officers and
- c.) A fifth Member elected by the Board and appointed (as a ministerial duty) by the City Commission.

Deferred Retirement Option Plan

Eligibility

Satisfaction of Normal Retirement requirements.

Participation

Not to exceed 60 months.

Rate of Return

Actual net rate of investment return (total return net of brokerage commissions, management fees and transaction costs) credited each fiscal quarter.

Form of Distribution

Cash lump sum (options available) at termination of employment.